IRS REFORM/Treasury Secretary Off Oversight Board

SUBJECT: **Internal Revenue Service Restructuring and Reform Act of 1998 . . . H.R. 2676. Mack amendment No. 2372.**

ACTION: AMENDMENT REJECTED, 40-59

SYNOPSIS: As reported, H.R. 2676, the Internal Revenue Service Restructuring and Reform Act of 1998, will radically restructure the Internal Revenue Service (IRS) to make it more accountable and responsive to taxpayers' needs, and will enact comprehensive reforms to protect taxpayers from IRS abuses of power.

The Mack amendment would remove the Treasury Secretary from the proposed IRS Oversight Board. The IRS Commissioner, a union representative, and six part-time members from the private sector would remain on the board. For a description of the board, see vote No. 121.

Those favoring the amendment contended:

The IRS currently has internal oversight and oversight from the Treasury Department. Neither is working. All of the shocking abuses that we have heard of in the past year have occurred under the authority of the IRS Commissioner and the Treasury Department, and many of the abuses have been committed by members of the IRS employees union. The Treasury Department Inspector General has documented widespread violations, yet the IRS has never taken any disciplinary action as a result of those proven violations. IRS executives are guilty of travel fraud, abuses of subordinates, sexual harassment, fraudulent performance appraisals, and coverups of illegal actions, and we have heard that some IRS managers have been bragging that as soon as this bill is passed and the spotlight is off of them they will go back to business as usual. So far, they have little reason to believe that they will be stopped--despite all of the documented abuses since hearings began last September, not one person has been fired at the IRS.

This bill, as originally proposed by the Chairman of the Finance Committee, would have created a 6-member private sector board

(See other side)

YEAS (40)			NAYS (59)			NOT VOTING (1)	
Republicans (40 or 73%)		Democrats (0 or 0%)	Republicans (15 or 27%)	Democrats (44 or 100%)		Republicans (0)	Democrats (1)
Abraham	Hutchinson		Bennett	Baucus	Johnson		Akaka-4
Allard	Hutchison		Chafee	Biden	Kennedy		
Ashcroft	Inhofe		Cochran	Bingaman	Kerrey		
Bond	Kempthorne		Collins	Boxer	Kerry		
Brownback	Kyl		D'Amato	Breaux	Kohl		
Burns	Lott		Domenici	Bryan	Landrieu		
Campbell	Mack		Gorton	Bumpers	Lautenberg		
Coats	McCain		Hagel	Byrd	Leahy		
Coverdell	McConnell		Jeffords	Cleland	Levin		
Craig	Murkowski		Lugar	Conrad	Lieberman		
DeWine	Nickles		Santorum	Daschle	Mikulski		
Enzi	Roberts		Snowe	Dodd	Moseley-Braun		
Faircloth	Roth		Specter	Dorgan	Moynihan		
Frist	Sessions		Stevens	Durbin	Murray		
Gramm	Shelby		Warner	Feingold	Reed		
Grams	Smith, Bob			Feinstein	Reid		
Grassley	Smith, Gordon			Ford	Robb		
Gregg	Thomas			Glenn	Rockefeller		
Hatch	Thompson			Graham	Sarbanes		
Helms	Thurmond			Harkin	Torricelli		
				Hollings	Wellstone		
				Inouye	Wyden		

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

to oversee the IRS. The value of having such a board was summed up succinctly by Secretary of the Treasury Rubin, who said, "The fact that the agency was being run by private sector individuals would almost surely have what lawyers call a chilling effect on IRS employees and influence audit policy, enforcement policy, and the like." Unfortunately, what started out as a strong proposal has turned into a gimmick. Three members have been added--the Secretary of the Treasury, the IRS Commissioner, and an IRS union representative. These individuals have vast resources and manpower at their disposal to prepare and defend their own policy agendas. The six part-time members from the private sector will find themselves led around by the nose by these three additions. The board will not serve in an advisory capacity or in any substantive capacity; all it will serve is to give public cover to decisions that have already been made by the three new board members.

For this board to have any credibility it cannot be led by Washington insiders. The IRS will not reform if it has the same managers; for it to reform, its victims need to be put clearly in charge. Therefore, we have offered the Mack amendment to take the Treasury Secretary off of the board. We do not mean any personal criticism of this Treasury Secretary--he is performing well in his job, and certainly previous Treasury Secretaries, both Republican and Democrat, also failed to reform the IRS. Our problem is just with the structure of this board. The Mack amendment would greatly lessen the influence of Washington insiders on the board. On that basis, it should be approved.

Those opposing the amendment contended:

We favor the three additions that were made to the proposed advisory board, and we note that adding those members restored the original recommendation that was made by the IRS Restructuring Commission. On the particular subject of this amendment, we believe that putting the Treasury Secretary on the board makes sense for a number of reasons. First, the IRS is part of the Treasury Department. The Secretary has authority over it, and should thus be involved in decisions regarding it. Second, we believe that the board will operate like a corporate board. Corporate boards include stockholders, and they also typically include Chief Executive Officers. Having outside guidance is beneficial, but it is also beneficial if there is inside guidance from people familiar with the operations of the company. We believe that the same will hold true for the IRS. Third, we believe that our colleagues are underestimating the type of people who will fill the six private-sector positions. Those members are going to be strong-willed business managers who will be subject to Senate confirmation. They will have dealt with the IRS for years, they will not be employees of the IRS or the Treasury Department, and they will have their own definite ideas of the reforms that are needed. We will not vote to confirm members who will rubberstamp Treasury Department and IRS decisions, nor do we believe will our colleagues. Fourth, adding the Treasury Secretary to this board will immediately make it an extremely important Government institution. The Secretary of the Treasury is the second-ranking member of the Federal Government (or the third if one wishes to count the Vice President). Without the Secretary, the board will be just one more advisory board that everyone ignores. Fifth, having the Secretary on the board will make the board privy to information that it otherwise would not have. He meets regularly with the President and has intimate knowledge of public policy initiatives that may affect IRS decisions. For these reasons, we must strongly urge our colleagues not to vote to remove the Secretary of the Treasury from the IRS Oversight Board.